



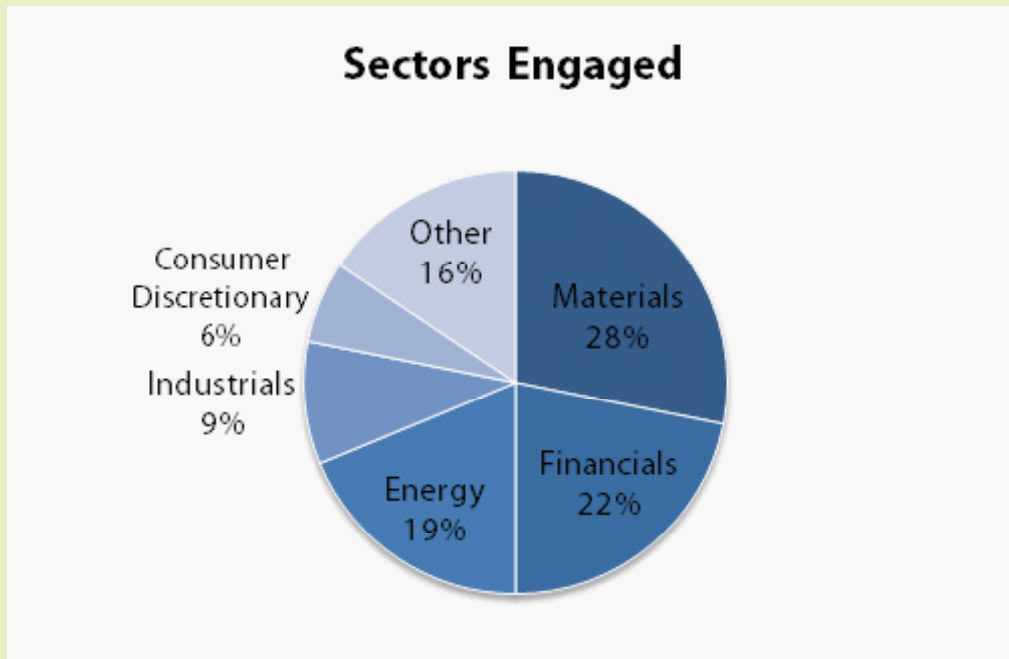
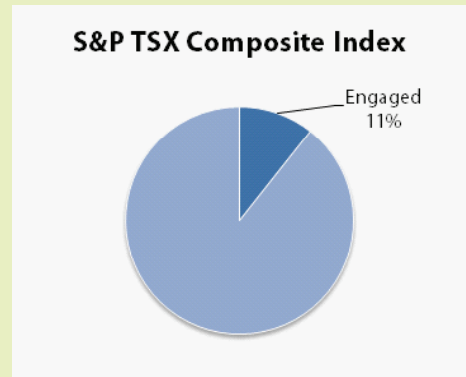
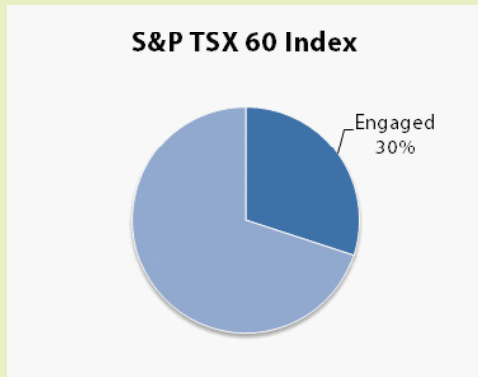
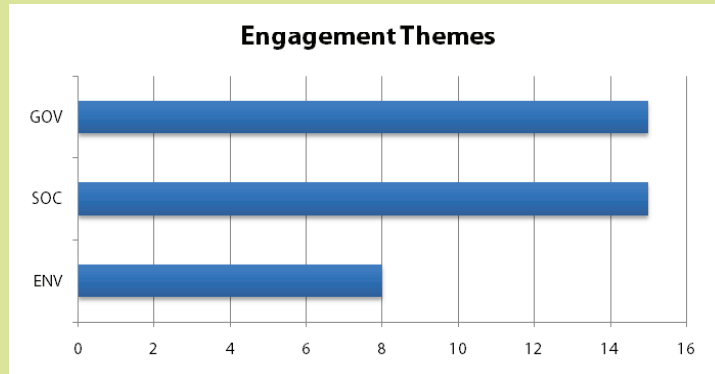
R E S P O N S I B L E   I N V E S T M E N T   F O R   A   S U S T A I N A B L E   E C O N O M Y

**SHAREHOLDER  
ENGAGEMENT  
ACTIVITY REPORT**

**Q4/10**

**October 1 - December 31, 2010**

# SHAREHOLDER ENGAGEMENT AT A GLANCE





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## Shareholder Engagement Highlights

This report outlines SHARE's shareholder engagement activities for the fourth quarter of 2010. SHARE conducts focused and constructive engagement dialogues with public corporations on behalf of institutional shareholders. The goal of our program is to work with clients to improve the environmental, social and governance (ESG) performance of the companies in their investment portfolios. For more information on SHARE's Shareholder Engagement Services, please visit <http://www.share.ca/engagement/>.

During the fourth quarter of 2010, SHARE corresponded with 33 companies on key ESG issues. Almost seventy percent of our company dialogues were reported as 'positive' or 'on track' by our shareholder engagement analysts. Our thematic focus this quarter was on executive compensation (say on pay), precarious employment, human rights, toxic chemicals and sustainable forestry.

This quarter, we received positive responses from three companies to our request for information regarding each company's plans to provide shareholders with a say on pay. **Inmet Mining Corporation, Nexen Inc.** and **Talisman Energy Inc.** all indicated that they would adopt a say on pay vote within the next two years. Six companies, **Algonquin Power and Utilities Corp., Ballard Power Systems Inc., Kinross Gold Corporation, Research in Motion Inc., Shoppers Drug Mart Corporation** and **Stantec Inc.**, have received shareholder proposals filed by Meritas Mutual Funds asking them to adopt a say on pay.

Last quarter, SHARE wrote to seven companies on behalf of the Atkinson Foundation communicating our intent to issue a public report outlining the progress that Canadian property management companies and major office tenants have made regarding responsible contracting and procurement of property services. SHARE received policy information from the **Bank of Montreal** and commitments from five other companies that information will be sent by mid-January for inclusion in the public report.

As part of our Human Rights shareholder engagement process, SHARE sent letters to six companies this quarter requesting information about company policies, practices and reporting procedures in relation to specific human rights issues commonly affecting resource extraction firms. They include: **IAMGOLD Corporation, Inmet Mining Corporation, Nexen Inc., Teck Resources Limited, TransCanada Corporation** and **Yamana Gold Inc.**

In-depth shareholder engagement continued this quarter with **EnCana Corporation, Nexen Inc.**, and **Trican Well Services Ltd.** on company efforts to protect water resources during hydraulic fracturing, a process required to extract natural gas from shale rock that uses chemical additives, some of which are toxic. SHARE received responses this quarter from all three companies to our requests for information. We are currently seeking meetings or more detailed information from each of them to help us better understand how they are managing the water risks associated with hydraulic fracturing operations and how they are communicating company risk management strategies to shareholders.

As part of our work on toxics, SHARE has filed a shareholder proposal with **Shoppers Drug Mart Corporation** on behalf of Meritas Mutual Funds and the BCTF Salary Indemnity Fund asking the company to report to shareholders on initiatives to reduce or eliminate PVC and phthalates from proprietary products and packaging.

The Ivey Foundation and SHARE continued engaging with companies this quarter on paper procurement policies and sustainable forestry. Information was received from **Great West Lifeco, Kimberly-Clark Corporation** and **Quebecor Inc.** regarding information we had requested last quarter on each company's intention and/or progress in adopting and implementing sustainable paper procurement policies.

## Activity Snapshot

Corporate Governance	Companies	15
Advisory Vote on Executive Compensation	Algonquin Power & Utilities Corp., ATS Automation Tooling Systems Inc., Ballard Power Systems Inc., Canfor Corporation, Harry Winston Diamond Corporation, Inmet Mining Corporation, Kinross Gold Corporation, MDS Inc., Nexen Inc., Research In Motion Limited, Shoppers Drug Mart Corporation, Stantec Inc., Talisman Energy Inc., Teck Resources Limited, Tembec Inc.	
Social	Companies	15
Precarious Employment in Property Sector	Bank of Nova Scotia, Bank of Montreal, Brookfield Properties, Canadian Imperial Bank of Commerce, Morguard Corporation, Royal Bank of Canada, Toronto-Dominion Bank	
Human Rights	Goldcorp Inc., IAMGOLD Corporation, Inmet Mining Corporation, Kinross Gold Corporation, Nexen Inc., TransCanada Corporation, Teck Resources Limited, Yamana Gold Inc.	
Environment	Companies	9
Toxic Chemicals	EnCana Corporation, Nexen Inc., Shoppers Drug Mart Corporation, Trican Well Service	
Northern Gateway project	Enbridge Inc.	
Sustainable Forest Management	Great West Lifeco, Kimberly-Clark Corporation, Quebecor Inc., Torstar Corporation.	
Total Number of Companies		33

## OSC Review: Say on Pay

On January 10, 2011, the Ontario Securities Commission (OSC) released Staff Notice 54-701 in which it indicated that it is reviewing “whether securities regulators should consider introducing mandatory say on pay requirements” for public companies. The OSC intends to coordinate its review “and the development of regulatory proposals relating to this review” with other Canadian securities regulators.

The OSC’s review of say on pay and the other governance issues included in [Staff Notice 54-701](#) is open for public comment until March 31, 2011.

## Ottawa endorses UN-Indigenous Rights Declaration

Canada formally signed the United Nations Declaration on the Rights of Indigenous Peoples on November 12, 2010. The non-binding declaration commits member states to protect the rights and resources of indigenous peoples within the state and recognizes indigenous peoples’ rights to their lands, culture, language, and resources. While the United States remained one of only a handful of countries that had not signed the declaration, President Barack Obama announced in December 2010, that the United States will sign the United Nations declaration.

## Corporate Governance

### Advisory Vote on Executive Compensation

At the end of the second quarter in 2010, SHARE wrote to 34 companies on behalf of Meritas Mutual Funds asking each company about its plans to provide shareholders with a say on pay. Last quarter, responses were received from 18 of these companies. This quarter, we received positive responses from three companies indicating that they would adopt a say on pay vote within the next two years. **Inmet Mining Corporation** has decided to adopt a say on pay and informed us that the advisory vote will be held by 2012. **Nexen Inc.** and **Talisman Energy Inc.** have also reported that shareholders will be provided with a say on pay in 2011.

Six companies, **Algonquin Power and Utilities Corp., Ballard Power Systems Inc., Kinross Gold Corporation, Research in Motion Inc., Shoppers Drug Mart Corporation** and **Stantec Inc.**, have received shareholder proposals filed by Meritas Mutual Funds asking them to adopt a say on pay. **Canfor Corporation, MDS Inc., Teck Resources Limited** and **Tembec Inc.** all reported to SHARE that they did not have intentions to implement a say on pay vote as they felt that their current governance practices were sufficient in overseeing executive compensation packages.

## Social

### Precarious Employment and Responsible Real Estate

The Atkinson Foundation and SHARE continued with efforts to improve labour and contracting practices in Canada’s real estate sector. Last quarter, we wrote to seven companies communicating our intent to issue a public report outlining the progress that Canadian property management companies and major office property tenants have made regarding responsible contracting and procurement practices. SHARE received policy information from the **Bank of Montreal** and commitments from **Scotiabank, Brookfield Properties, Canadian Imperial Bank of Commerce, Royal Bank of Canada** and **Toronto Dominion Bank** that information will be sent by mid-January for inclusion in the public report. Only one company, **Morguard Corporation**, has failed to respond to our request for information.

### Human Rights

As part of our ongoing Human Rights shareholder engagement process, SHARE wrote to six companies this quarter requesting information on company policies, practices and reporting procedures in relation to specific human rights issues commonly affecting resource extraction firms. These companies were identified based on their current performance on several human rights initiatives. They include: **IAMGOLD Corporation, Inmet Mining Corporation, Nexen Inc., Teck Resources, TransCanada Corporation,** and **Yamana Gold Inc.**

**Inmet Mining Corporation** responded to SHARE’s request for information, indicating that the Board is currently reviewing its human rights policy and that the company will respond to the specific questions put forward by SHARE following the Board’s review. **Nexen Inc.** committed to providing SHARE with written responses to the information request regarding the company’s Aboriginal Relations Policy as well as to participating in future discussions about relevant issues as needed. **IAMGOLD Corporation** provided a brief overview of its community relations and shareholder engagement strategy in a letter

## Goldcorp Inc. releases Human rights policy

On October 29 2010, Goldcorp's Corporate Social Responsibility Policy and Human Rights Policy were officially released on the company's webpage. The policies were developed after input from several stakeholders and were approved by Goldcorp's Board of Directors. To view the policies, please visit: [http://www.goldcorp.com/corporate\\_responsibility/](http://www.goldcorp.com/corporate_responsibility/)

## New study examines implications of shale gas boom on Canada's water supplies

The Munk School of Global Affairs at the University of Toronto has released a new study on the risks that Canada's shale gas development presents to our water resources. Titled "[Fracture Lines: Will Canada's Water be Protected in the Rush to Develop Shale Gas?](#)," the report looks at the state of shale gas development in Canada and claims that the pace of development demands greater scrutiny by regulators in order to assess potential impacts and ensure that shale gas production does not occur to the detriment of Canada's water resources, landowners or communities around gas development.

to SHARE, including information about its current human rights training for employees. We have also received a detailed response from **TransCanada Corporation** outlining its current approach to human rights and community relations. **Teck Resources Limited** and **Yamana Gold Inc.** have yet to respond to our information request.

This quarter, SHARE met with **Goldcorp Inc.** to discuss the company's Human Rights policy, seek additional information about the company's response to the recommendations contained in the Human Rights Assessment (HRA) of Goldcorp's Marlin Mine in Guatemala and to raise concerns regarding community consultation, water quality, water quantity and long-term monitoring, labour issues, land acquisition, and security and community conflict.

## Environment

### Toxic Chemicals

SHARE's shareholder engagement continued this quarter with three companies regarding their efforts to protect water resources during hydraulic fracturing, a process required to extract natural gas from shale rock that involves injecting a mix of water and chemical additives underground. In response to our request for additional information from **Encana Corporation**, the company responded that, in the interest of fair and equitable disclosure to all stakeholders, it will use its website as the main vehicle for disclosing information on its corporate social responsibility practices and commitments. SHARE has sought confirmation from Encana that the company will provide the information we requested regarding its efforts to protect water resources from hydraulic fracturing via its website or other publicly available materials.

This quarter, we received a response from **Nexen Inc.** to our request for information concerning company efforts to protect water resources from hydraulic fracturing processes at Horn River, B.C. The company provided general information about the chemical additives contained in the hydraulic fracturing fluids (frac fluids) used in its wells, and indicated that it has not adopted specifications for contractors regarding chemical ingredients of those fluids. Nexen also provided more specific information on the steps the company is taking to minimize the risks associated with hydraulic fracturing processes. SHARE sent a follow-up letter to the company reiterating our request for the full list of chemical ingredients of hydraulic fracturing fluids used in Nexen's shale gas wells (without requesting their specific concentration, which we understand is proprietary information), and asked for more information on water testing and flowback water storage and disposal at Nexen's shale gas wells at Horn River.

In the letter we received from **Trican Well Service Ltd**, the company indicated that, for competitive reasons, it will not disclose the full list of chemical ingredients of its EcoClean hydraulic fracturing fluids. Trican's EcoClean fluids are reportedly non-toxic, biodegradable and non-bioaccumulating, and they meet applicable safe drinking water standards. Trican also reported that it does not foresee shifting completely to EcoClean fluids, but does see a movement in that direction, as customers are increasingly operating in more environmentally sensitive areas. SHARE has requested a meeting with Trican in order to discuss in further detail the company's efforts to protect water resources from hydraulic fracturing operations

SHARE held a conference call with **Shoppers Drug Mart Corporation** to learn more about the company's efforts to eliminate or reduce phthalates and PVC plastic from its brand name products and packaging. While the company indicated a commitment to product safety and its intent to remove PVCs and phthalates from new product lines, it maintained that it has no immediate plans to set targets or timetables for these initiatives, or to report to shareholders on progress achieved.

## US sues BP over Gulf of Mexico oil spill

The US government has sued BP and eight other companies in connection with the 2010 Gulf oil disaster. The lawsuit charges the companies under the U.S. Clean Water Act and the Oil Pollution Act, and it asks that they be held liable for all clean-up and damage costs (including economic losses) associated with the spill.

In January 2011, the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, a bi-partisan panel commissioned by President Obama to look into the causes of the 2010 Gulf of Mexico oil spill, concluded that the explosion that triggered the spill was an avoidable disaster that resulted from poor risk management by BP and its contractors. The Commission found that BP failed to put in place procedures to ensure that efforts to curb costs did not compromise safety.

Legal experts have said that BP's \$40-billion estimate for the total cost of the oil spill could double if the U.S. government took a hard line and convinced a court that BP was grossly negligent.

In view of that, SHARE has filed a shareholder proposal with Shoppers Drug Mart Corporation on behalf of Meritas Mutual Funds and the BCTF Salary Indemnity Fund asking the company to report to shareholders on initiatives to reduce or eliminate PVC and phthalates from proprietary products and packaging.

### Sustainable Forest Management

This quarter, we continued engaging with companies on sustainable forest management on behalf of the Ivey Foundation. **Great West Lifeco** reported that it does not track the portion of paper needs that are met with high post-consumer recycled fibre content papers and that the company does not intend to adopt a formal paper procurement policy to commit to maximizing the use of papers certified to the standards of the Forest Stewardship Council (FSC).

**Kimberly-Clark Corporation** confirmed that it has exceeded its interim target for combined use of recycled and FSC-certified fibre in North American tissue products and that it is also on track to meet its interim target regarding the purchasing of fibre from Canada's Boreal forest. SHARE communicated to Kimberly-Clark our confidence that the company will be able to find FSC-certified suppliers that enable it to meet its 2010 and 2011 goals for North America without drastically reducing its purchases from the Canadian Boreal. We also expect that Kimberly-Clark will progressively increase its use of FSC-certified fibre purchases from North American suppliers outside the Boreal region, in accordance with its stated preference for FSC-certified wood fibre.

This quarter, we also received an update from **Quebecor Inc.** regarding the company's adoption of a sustainable paper procurement policy at TVA Publications, one of Quebecor's subsidiaries. Quebecor expects to finalise the policy by Earth day in 2011, and SHARE will have the opportunity to provide feedback on the final draft. In past conversations with Quebecor, we suggested key issues that investors would expect a robust paper procurement policy to include, in particular: 1) Specific targets and timetables to increase the use of FSC-certified virgin fibre over time; 2) Specific targets and timetables to increase high-recycled fibre content; and 3) A commitment not to purchase paper logged from endangered forests, such as intact caribou habitat in the Boreal forest.

We communicated with **Torstar Corporation** to follow up on a request for information that we sent on behalf of the Ivey Foundation in May 2010, concerning Torstar's paper procurement practices and policies. Torstar is yet to respond to our information request.

### Northern Gateway Project

We also held a conference call with **Enbridge Inc.** and two other investors as part of our ongoing dialogue with the company on the environmental and social risks associated with the Northern Gateway project. The purpose of the conference call was to discuss Enbridge's strategy to gain the trust and consent of B.C.'s Coastal First Nations to the Northern Gateway project.



## Company Progress Summary

Company	Topic	Progress
Algonquin Power & Utilities Inc.	Advisory Vote on Compensation	↔
ATS Automation Tooling Systems Inc.	Advisory Vote on Compensation	▶
Ballard Power Systems Inc.	Advisory Vote on Compensation	↔
Bank of Montreal (BMO)	Precarious Employment	▶
Bank of Nova Scotia	Precarious Employment	▲
Brookfield Properties Corporation	Precarious Employment	▶
Canadian Imperial Bank of Commerce (CIBC)	Precarious Employment	▶
Canfor Corporation	Advisory Vote on Compensation	▼
Enbridge Inc.	Gateway Pipeline	▶
EnCana Corporation	Toxic Chemicals	▶
Goldcorp Inc.	Human Rights	▶
Great-West Lifeco Inc.	Sustainable Forestry	▼
Harry Winston Diamond Corporation	Advisory Vote on Compensation	▶
IAMGold Corporation	Human Rights	▶
Inmet Mining Corporation	Advisory Vote on Compensation	▲
Inmet Mining Corporation	Human Rights	▶
Kimberly-Clark Corporation	Sustainable Forestry	▶
Kinross Gold Corporation	Advisory Vote on Compensation	↔
Kinross Gold Corporation	Human Rights	↔
MDS Inc.	Advisory Vote on Compensation	▼
Morguard Corporation	Precarious Employment	▼
Nexen Inc.	Advisory Vote on Compensation	▲
Nexen Inc.	Human Rights	▶
Nexen Inc.	Toxic Chemicals	↔

▲ Positive
▶ On Track/Neutral
▼ Negative/ No Response
↔ Response Pending

Company	Topic	Progress
Quebecor Inc.	Sustainable Forestry	▶
Research in Motion Ltd.	Advisory Vote on Compensation	↔
Royal Bank of Canada (RBC)	Precarious Employment	▶
Shoppers Drug Mart Corporation	Advisory Vote on Compensation	↔
Shoppers Drug Mart Corporation	Toxic Chemicals	↔
Stantec Inc.	Advisory Vote on Compensation	↔
Talisman Energy Inc.	Advisory Vote on Compensation	▲
Teck Resources Limited	Advisory Vote on Compensation	▼
Teck Resources Limited	Human Rights	▶
Tembec Inc.	Advisory Vote on Compensation	▼
Toronto-Dominion Bank (TD)	Precarious Employment	▶
Torstar Corporation	Sustainable Forestry	↔
TransCanada Corporation	Human Rights	↔
Trican Well Service Ltd.	Toxic Chemicals	↔
Yamana Gold Inc.	Human Rights	↔
<b>Total Companies: 33</b>		
<span>▲ Positive</span> <span>▶ On Track/Neutral</span> <span>▼ Negative/ No Response</span> <span>↔ Response Pending</span>		

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